

November 12, 2014

Alfred M. Pollard, General Counsel
Federal Housing Finance Agency
400 Seventh Street SW, Eighth Floor
Washington, DC 20024

Via email delivery: RegComments@fhfa.gov

RE: RIN 2590-AA39

Dear Mr. Pollard:

Thank you for the opportunity to comment on your recent release of proposed rulemaking regarding Federal Home Loan Bank membership. I am presently Senior Vice President and Treasurer of First Federal of Bucks County. First Federal is a community bank headquartered at 118 Mill Street in Bristol, Pennsylvania, who has been a member of the Federal Home Loan Bank, or FHLB, of Pittsburgh for decades.

The Bank is very serious about its membership in the Federal Home Loan Bank system. We have been a residential mortgage lender since our inception in 1885. We have routinely had a percentage of our total assets of long term home mortgage loans well in excess of 10%, which you state in your proposal as a test to determine ongoing membership, or more ominously, automatic loss of membership. As a federal thrift association, we have had to comply with the Qualified Thrift Lender percentage of 65% of certain assets. We expect to continue to comply with the requirement to have at least 10% of assets in residential mortgage loans. However, we are deeply concerned about your proposal, which could cause an institution to lose its membership in FHLB automatically if it does not meet ongoing tests.

In our view, our membership in FHLB of Pittsburgh provides us with our greatest liquidity source and ability to borrow for funding and interest rate risk management purposes. Our access to liquidity at FHLB is viewed as very reliable by our Bank and also by our bank regulators, the Office of the Comptroller of the Currency, or "OCC." If there was doubt in the future as to whether we could lose membership, our liquidity contingency plans may not be able to fully compensate for the loss of the borrowing ability at similar costs. Knowing the strength of our own Bank and our strong capital position allows me to have some comfort in knowing that it is unlikely that First Federal would lose membership. But we deal routinely with a number of financial institutions as correspondents and we will have the heavy task of monitoring a large list of other banks and counterparties and potentially "guessing" about their continued membership in the FHLB system. This is a burden we have not faced in the past. We believe that it should

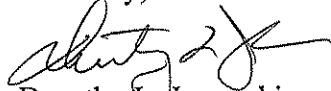
not be a hard coded rule about the automatic loss of membership and thus disagree with your proposal. We believe that compliance with balance sheet ratios can be dealt with within the FHLB regulatory framework that exists now. That framework currently includes ratings and maintenance of financial standards and FHLB's internal controls to utilize borrowing ability. We continue to believe in our own and FHLB's mission of providing residential mortgage loans to individuals, but believe that a threat to membership loss could unnecessarily pose a risk to the financial system.

We do agree in the expansion of the definition of residential mortgage loans, to include not only the currently defined loans and mortgage backed securities, but the newly added collateralized mortgage obligations. Whether the investment in mortgage related securities is an interest in the underlying mortgage loans (mortgage backed securities pools) or is an interest in the trust that owns the underlying mortgage loans (collateralized mortgage obligations, "CMOs," or real estate mortgage investment conduits, "REMICs") should not make a difference in the determination of residential mortgage loans. The right to receive the cash flows from the underlying mortgage loans should be the determining factor.

We believe that writing a rule that would require the automatic loss of FHLB membership if certain mortgage loan asset tests are not met could cause tremendous stress for the financial industry as a whole and could result in unintended consequences for liquidity availability by financial institutions. First Federal is a strong believer in the FHLB system and the benefits it has brought to institutions such as ours. We would not be in support of any rule that states automatic loss of a membership that has spanned decades.

We respectfully ask that your proposal be reconsidered. Thank you for hearing our ideas on this very important subject. If you have any questions, please contact me at 215-504-6560 x 6004.

Sincerely,



Dorothy L. Jaworski,
Senior Vice President, Treasurer